

Maricopa County Policies and Procedures	Subject: Uncollectible Accounts Receivable	Number: A2501 Issue Date: 06/98
Approved: David R. Smith	Initiating Department: Finance	

A. Introduction

Maricopa County currently bills and/or invoices for a wide variety of revenue accounts. The purpose of this policy is to ensure that Maricopa County Departments properly value accounts receivable through the regular review and write-off of uncollectible accounts. For the purposes of this policy, Accounts Receivable is defined as: an account reflecting amounts due from individuals, organizations, businesses and governmental entities. The County shall take appropriate and prudent steps to collect delinquent accounts which are described in Section D - Procedures.

In some instances, departments may exhaust all avenues of collection. At that time, the account must be assigned to the County Attorney, Division of County Counsel (County Counsel). This type of action usually occurs after **all** collection efforts have been exhausted and the account is considered to be uncollectible. It is critical to ensure that adequate documentation is maintained to support the decision to assign the account to County Counsel. Examples of supporting documentation may include: records of all telephone calls, copies of correspondence between the department and the debtor, and reports indicating their collection attempts.

County Counsel will diligently continue collection activities including establishment of a repayment schedule, filing an action for collection, or recommendation and execution of a settlement of less than the full amount due if it is in the best interest of the County and upon approval of the Board of Supervisors.

In the event an account is being assigned to County Counsel, the following items must be provided to initiate further collection activities:

- Documentation regarding collection attempts (copies of letters, invoices, etc.).
- Complete and accurate Debtor Name, Address, and Phone Number.
- Amount of the uncollected account.
- Reason for the account.

B. Definitions

Accounts Receivable: An asset account reflecting amounts due from individuals, organizations, businesses and governmental entities for goods and/or services furnished by the County.

Delinquent Accounts: Accounts that are past due by a predetermined number of days.

Uncollectible Accounts: A seriously delinquent account that the County either has no legal basis for collection or for which the resources needed to continue collection efforts far exceed the value of collection.

C. Authority And Responsibility

Department Directors, Managers, and Elected Officials or their designees have the authority to assign an account to County Counsel.

D. Procedures

All Maricopa County departments who are actively involved in generating accounts receivable must develop internal Policies and Procedures regarding Uncollectible Accounts. This policy is to serve as a guide in the development of an effective Account Collection Procedure. The following is the sequence of events leading to the account being assigned to County Counsel.

1. The Department must bill/invoice the debtor for a minimum of three (3) consecutive billing cycles.

2. The Department should review all accounts to determine those that become past due and/or delinquent. These accounts should be reviewed each billing cycle to determine their collectibility. It is recommended that the Department maintain an Accounts Receivable Aging report to monitor/track collection activities.

Please Note: At anytime during the billing cycles, if a notice of bankruptcy is received by the billing department, immediately forward the notice and all backup documentation to County Counsel. They will establish a file, file a claim with the Bankruptcy Court and advise you of the disposition.

3. In the event the account is deemed uncollectible, the department shall complete the following steps:
 - a) Prepare Attachment A (or a similar format) and attach all supporting documentation to demonstrate collection activities. After receiving "departmental approval" forward these documents to County Counsel.
 - b) Forward a copy of the completed form (Attachment A) to the Department of Finance to establish an "Allowance for Uncollectible Accounts".

Please note: after an account has been assigned to County Counsel, the Department is not to communicate with the Debtor. All communication is to be conducted by County Counsel. County Counsel will notify the debtor of the assignment.

4. The disposition of the account is determined by one of the following results:

COLLECTION OF FUNDS:

If County Counsel collects the funds, the following should be completed:

- a) County Counsel will prepare a cover letter and mail the check to the original department with copies to the Department of Finance.
- b) The original department will complete a cash receipt transmittal form and submit the form and check to the Department of Finance for deposit. The Department of Finance will adjust the Allowance for Uncollectible Accounts.

RECOMMEND ACCOUNT FOR WRITE-OFF:

In the event the account is uncollectible, County Counsel may request the Board of Supervisors' approval to discontinue collection efforts and write the account off. Upon Board of Supervisors approval, County Counsel should inform the original department and the Department of Finance that the Board of Supervisors has authorized the account to be written off as a bad debt. A copy of the signed Agenda should be forwarded to the original department and the Department of Finance to support the financial transactions.

E. SUMMARY:

Utilization of this policy will provide departments with consistent guidelines to develop and implement an Uncollectible Accounts Receivable Policy and Procedure. Upon implementation of a Departmental - Uncollectible Accounts Receivable Policy and Procedure, forward a copy of the document to the Department of Finance.

AUTHORIZATION TO ASSIGN AN UNCOLLECTIBLE ACCOUNT TO THE COUNTY COUNSEL

In accordance with Administrative Policy #_____, Uncollectible Accounts Receivable, you are hereby authorized to continue the collection of the following account:

Debtor Name _____

Debtor Address

Account Balance* \$

All Collection Activities Attached	YES	NO

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* In the event, only a partial amount of the account is being sent to County Counsel, the department must describe the methodology utilized in determining the amount being collected.

SAMPLE COLLECTION LETTER

John Q. Debtor
123 Main Street
Anytown, U.S.A.

Re: Account Number: #
Amount Past Due: \$

Dear Mr. Debtor:

According to our records, we have not received payment for the past due account. The enclosed billing statement has been due since _____. We are sure this is just an oversight on your part and feel our customers appreciate it when we bring these matters to their attention. We feel certain that you understand how important and necessary it is for us to receive payment.

Please be advised, full payment of \$_____ must be received in this office by _____. We trust you will give this matter your prompt attention and send your check in the enclosed return envelope, today.

If your payment and this letter crossed in the mail, please accept our apology and "thank you" for your payment. If not, please consider this to be a friendly reminder that your account is now past due and your "IMMEDIATE" attention is required.

Should you wish to discuss your account, or if we can be of any assistance, please contact _____ at (602) xxx-xxxx.

Sincerely,

Departmental Representative

Enclosure